

Serial No.: 10/087,339  
Amdt. dated 27 December 2007  
Reply to Office Action of 27 June 2007

## **REMARKS**

As noted previously, Applicant appreciates the Examiner's thorough examination of the subject application.

Claims 1-56 are pending in the present application. In the non-final Office Action mailed 27 June 2007, claims 1-56 were rejected on various grounds, as described in further detail below. Claims 1, 2, 4, 18, 19, 21, 35-38, 41, 42, 45-48, and 52 are amended herein. Claims 5, 22, and 49 have been canceled. No new matter has been added.

Based on the foregoing amendments and the following remarks, Applicant requests reconsideration and further examination of the subject application.

### ***Claim Rejections - 35 U.S.C. § 112***

#### **Claims 1, 18, 39, 49, 55, and 56**

Concerning items 1-2 of the Office Action, claims 1, 18, 39, 49, 55, and 56 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter that the Applicant regards as the invention. More specifically, the Examiner noted that claims 1, 18, 39, 49, 55, and 56 recite "defining a first set of shares representing claims on a second subset of proxy assets." The Examiner commented:

The two defined sets of are further characterized as experiencing an increase in value as a function of a positive or negative change in one or more indices.

Since there is no requirement that the same indices be used to measure the claimed positive or negative movement in the first or second subset it is unclear as to whether any limitations are intended to be imposed by the "wherein" clauses. It is also unclear as to how the proposed positive or negative movement can be guaranteed when both systematic and unsystematic risk are taken into account. A beta and correlation coefficient can be determined between a corporate stock and a market index, which represents a historical guide to the manner in which the stock[']s price has reacted in relationship to the market index. However, this does not guarantee

that a stock with a beta of 1 or -1 will increase or decrease respectively when the market increases or decreases. It is merely a guide as to how the stock price has move[d] relative to the market index in the past. Alternatively, the applicant may be intending to claim a hedging position where two positions are held in the same indices such as ownership of pork bellies and selling futures in pork bellies then a relationship must be claimed between the two indices. Furthermore, the claimed step of offering is indefinite. The examiner is unsure as to whether the offering is intended to be an offer to purchase the first set of shares and second said [sic] of shares for inclusion in the proxy asset set, or alternatively, the owner of the proxy asset set is able to sell some shares to another individual. For the purpose of prosecution the examiner is going to consider the claim to intend a hedging relationship between the first set of asset shares and the second set of asset shares.

Applicant notes that antecedent basis is given for the indices in the claims subject to the rejection, i.e., by the recitation of “said” prior to the second instance of “indices,” meaning that the same indices are used.

Regarding “offering said first set of shares and said second set of shares,” the limitation of “to another individual,” has been added to the independent claims 1 and 18; it will be of course understood that “individual” can include reference to another legal entity, e.g., trust, corporation, and the like.

Applicant notes that claim 49 has been canceled by the present amendment.

Applicant submits that the foregoing amendments and remarks render the rejection of claims 1, 18, 39, 55, and 56 under 35 U.S.C. § 112, second paragraph, as moot.

#### Claims 2 and 19

Concerning item 3 of the Office Action, claims 2 and 19 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite with regard to the phrase “the issuer has substantially the same number of shares.” The Examiner indicated that the term “substantially” is indefinite.

Serial No.: 10/087,339  
Amdt. dated 27 December 2007  
Reply to Office Action of 27 June 2007

By the present amendment, claims 2 and 19 have been amended to delete the term “substantially.” Thus, Applicant submits that the rejection of claims 2 and 19 has been rendered moot.

Claims 4, 21, 36, 37, 38, 41, 42, 46-48, and 52

Concerning item 4 of the Office Action, claims 4, 21, 36, 37, 38, 41, 42, 46-48, and 52 were rejected under 35 U.S.C. § 112, paragraph two, as being indefinite for reciting “at least some” shares and/or offering “some” shares.

By the present amendment, claims 4, 21, 36, 37, 38, 41, 42, 46-48, and 52 have been amended, substituting the phrase “one or more” for the phrases “at least some” and “some.” Thus, Applicant submits the rejection of these claims has been rendered moot.

Claims 4, 12, 21, and 29

Concerning item 5 of the Office Action, claims 4, 12, 21, and 29 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite regarding the recitation of the phrase “different times.”

This rejection is traversed and it is respectfully submitted that, concerning item 5, the Examiner has erroneously added in limitation of “range” to the noted claims. Applicant notes that “different times” is intended to have its plain meaning, i.e., “not at the same time.” Thus, the acts associated with “different times” recited in the claims are intended to occur “not at the same time.”

Claims 5 and 22

Concerning item 6 of the Office Action, claims 5 and 22 were rejected under 35 U.S.C. § 112, second paragraph, as being indefinite with regard to recitation of the phrases “at least partly

“collateralized” and “relatively stable securities.” Applicant notes that claims 5 and 22 have been canceled by the present amendment, rendering the rejection of these claims as moot.

Claims 13 and 30

Concerning item 7 of the Office Action, claims 13 and 30 were rejected under 35 U.S.C. § 112, second paragraph as being indefinite with regard to recitation of the phrase “threshold value.” (

Applicant respectfully traverses the Examiner’s rejection of claims 13 and 30 as no “range” is included as a limitation that is coupled to “threshold value.” As claimed, once one or more of the recited conditions precedent is/are met, the offering then takes place – no “range” is recited.

Applicant submits that the foregoing amendments and remarks overcome and/or render the Examiner’s rejections of the claims under 35 U.S.C. § 112 as moot.

***Claim Rejections - 35 U.S.C. § 102***

Concerning items 8-9 of the Office Action, claims 1-56 were rejected under 35 U.S.C. § 102(b) as being anticipated by Mayo (“Investments, and Introduction,” Fourth Ed., The Dryden Press, ISBN:0-03-097647-2, 1993, pgs. 521-627) (hereinafter referred to as “Mayo”). Applicant traverses the rejection and requests reconsideration for the following reasons.

One requirement for a rejection under 35 U.S.C. § 102(b) is that the cited reference teach each and every limitation as arranged in the claim(s) at issue. In this situation, Mayo fails to teach (or suggest) each and every limitation of claims 1-56, as described below.

Amended claim 1, representative of the independent claims at issue, recites the following:

A method of providing shares in a proxy asset set, each proxy asset in said proxy asset set having a proxy asset account value, said method comprising:

- A. defining a proxy asset set account value equal to the sum of the account values of all

- proxy assets in said proxy asset set, including constraining said proxy asset set account value by a value of a resource pool including one or more illiquid assets;
- B. defining a first set of shares representing claims on a first subset of said proxy assets, wherein said first set of shares experience an increase in value as a function of a positive change in one or more indices ;
  - C. defining a second set of shares representing claims on a second subset of proxy assets, wherein said second set of shares experience an increase in value as a function of a negative change in said one or more indices;
  - D. shifting value between said first set of shares and said second set of shares as a function of a change in the one or more indices; and
  - E. offering said first set of shares and said second set of shares to another individual, wherein at least some shares from one or both of said first set of shares and said second set of shares may be procured, without a requirement of procuring sets of shares composed of shares from said first set of shares and said second set of shares.

[Emphasis added]

In contrast, Mayo is directed to and teaches general investment techniques and vehicles including futures contracts and arbitrage transactions. Despite what the Examiner alleges, Mayo is not understood as teaching proxy assets as recited in Applicant's claims, which, *inter alia*, provide that proxy assets are based on one or more illiquid assets.

The portion of Mayo cited by the Examiner as teaching the elements of Applicant's independent claims, e.g., claim 1, recites only the following:

The previous chapter explained why an option's intrinsic value sets a floor on the option's price. If the price were to decline below the intrinsic value, an opportunity for arbitrage would exist. The same concept applies to stock index futures except in this case the option is replaced by the index futures and the individual stock by the stock basket.

The idea may be explained by a simple example. Suppose the S&P stock index stands at 300 and the futures contract is trading at 301.5. Assume that the contract has a value of 500 times the index, so the value of each contract is \$150,750. The arbitrageur shorts the future and buys \$150,000 worth of stock in the index (or shares in the basket). In effect the arbitrageur has paid \$150,000 for \$150,750 worth of stock, because the arbitrageur has already entered into a contract for the sale of the stock at \$150,750 through the short position in the futures.

If, after executing the position, the futures price declines or the prices in the index rise, the arbitrageur will close both positions (referred to as unwinding) and make a profit. For example, suppose the prices of the stocks rise sufficiently that the index is 301.50 and the future contract has only risen to 302. The arbitrageur may now sell the stocks and repurchase the futures contract. The loss on the futures is \$250 (301.5 X \$500 minus 302 X \$500) while the gain on the stock is \$750 (301.5 X \$500 minus 300 X \$500). Since all the transactions can occur in a matter of minutes, there is negligible cost of carrying the positions. The arbitrageur need only carry the transaction cost associated with the trades.

[Mayo, page 601, paragraphs 4-6]

As Mayo does not teach or suggest all of the limitations as arranged in Applicant's independent claims, Mayo is an improper basis for a rejection of claims 1-56 under 35 U.S.C. § 102(b). Applicant requests that the rejection of claims 1-56 under 35 U.S.C. § 102(b) be withdrawn accordingly.

### ***Summary***

In view of the amended claims and remarks submitted herein, Applicant respectfully submits that all of the claims now pending in the subject application are in condition for allowance, and respectfully request a Notice of Allowance for the application.

If a telephone conference will expedite prosecution of the application, the Examiner is invited to call the undersigned. Authorization is hereby given to charge our deposit account, No. 50-1133,

Serial No.: 10/087,339  
Amdt. dated 27 December 2007  
Reply to Office Action of 27 June 2007

for any fees that may be required for the prosecution of the subject application.

A Petition for Extension of Time (three months) is included with this paper.

Respectfully submitted,

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